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**VISIT BATON ROUGE**

**FINANCIAL REPORT**

**DECEMBER 31, 2012**

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A Professional Accounting Corporation

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VISIT BATON ROUGE

FINANCIAL REPORT

DECEMBER 31, 2012

## C O N T E N T S

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Management's Discussion and Analysis	3 - 7
<u>BASIC FINANCIAL STATEMENTS</u>	
Governmental Funds Balance Sheet and Statement of Net Position	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	11
Notes to Financial Statements	12 - 19
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General Fund	20
<u>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></u>	21 - 22

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Visit Baton Rouge  
Baton Rouge, Louisiana

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major funds of Visit Baton Rouge (VBR) (formerly Baton Rouge Area Convention and Visitors Bureau) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise VBR's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the general fund, and the aggregate remaining fund information of Visit Baton Rouge as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 – 7 and 20, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2013 on our consideration of VBR's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VBR's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
April 19, 2013

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

Baton Rouge Area Convention and Visitors Bureau officially changed their name on May 29, 2012 to Visit Baton Rouge (VBR). This section of VBR's annual financial report presents our discussion and analysis of VBR's financial performance during the fiscal year that ended on December 31, 2012. Please read it in conjunction with VBR's financial statements, which begin on page 8.

**FINANCIAL HIGHLIGHTS**

- VBR's net position was \$3,307,095 which included \$29,470 related to the BP Oil Funds at December 31, 2012, an increase of 8.57% from net position as of December 31, 2011 of \$3,046,164 which included \$263,136 related to the BP Oil Funds.
- The overall increase in VBR's net position of \$260,931 can be attributed primarily to an operating surplus in the general fund that resulted from revenues exceeding expenditures for the year. In 2011, there was an increase in net position of \$19,609 which resulted in a net position of \$3,046,164 at December 31, 2011.
- The general fund ended the years 2012 and 2011 with a \$2,284,150 and \$1,783,762 fund balance which represents approximately 59% and 47% of annual expenditures, respectively. Of that balance, \$1,361,966 and \$797,971, respectively, was unassigned and available for general use.
- VBR received \$164,662 and \$329,322 in 2012 and 2011, respectively, due to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. BP provided the funds to the State of Louisiana for use in addressing tourism concerns. VBR was appointed to receive and disburse these funds for approved events.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of VBR:

- The government-wide financial statement of net position and statement of activities provide long-term information about VBR's overall financial status and economic condition.
- The fund financial statements focus on the general fund and the special revenue fund of VBR. These financial statements provide a short-term picture of VBR's financial condition, telling how VBR fared in meeting its current operating needs, and how much is available for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-wide Financial Statements**

The government-wide statements report information about VBR as a whole using accounting methods similar to those used by private-sector companies. The government-wide statements report VBR's net position and how they have changed. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

**Government-wide Financial Statements (continued)**

Net position — the difference between VBR's assets and liabilities — is one way to measure VBR's financial health, or position. Over time, increases or decreases in VBR's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of VBR, one needs to consider additional nonfinancial factors such as changes in the tourism climate that affects VBR's hotel/motel tax revenues, and the local economy.

**Fund Financial Statements**

The fund financial statements present VBR's funds – the general fund and the special revenue fund. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes. VBR's general fund and special revenue fund are governmental-type funds and, as such, follows the modified accrual basis of accounting. Under this accounting basis, the focus is on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, governmental fund statements provide a detailed short-term view that helps one determine whether there are more or less financial resources that can be spent in the near future to finance VBR's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide adjustment columns to bridge the differences between the two statements and to provide explanations of the relationship.

**FINANCIAL ANALYSIS OF VBR**

<b>Table A-1</b>		
<b>Net Position</b>		
	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 2,420,457	\$ 1,956,691
Cash: BP oil funds	29,470	263,136
Deferred financing costs	5,124	5,444
Capital assets	1,642,051	1,670,322
<b>Total assets and deferred outflows</b>	<b>4,097,102</b>	<b>3,895,593</b>
Current liabilities	161,207	195,729
Long term liabilities	628,800	653,700
<b>Total liabilities and deferred inflows</b>	<b>790,007</b>	<b>849,429</b>
Net position		
Invested in capital assets,		
net of related debt	988,351	993,822
Restricted – BP oil funds	29,470	263,136
Unrestricted	2,289,274	1,789,206
<b>Total net position</b>	<b>\$ 3,307,095</b>	<b>\$ 3,046,164</b>

A substantial portion of the assets of VBR are liquid and generally available for spending. Current assets are comprised primarily of cash, LAMP funds and receivables. Amounts invested in capital assets consist primarily of a renovated office building, office furniture and vehicles.

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

**Change in net position**

VBR's change in net position, or overall net gain, was \$260,931. The change in net position results from revenues exceeding expenses. The net gain is primarily due to an increase in VBR's Hotel-Motel tax revenues which increased significantly due to the U.S. Bowling Congress Open Championship that took place over approximately five months in 2012.

Table A-2 shows the composition of revenues and summarizes the expenses for the years ended 2012 and 2011.

<b>Table A-2</b>		
<b>Changes in VBR's</b>		
<b>Net Position</b>		
	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 3,033	\$ 4,760
Other public funds	80,995	40,000
<b>Total program revenues</b>	<b>84,028</b>	<b>44,760</b>
General revenues		
Hotel-Motel taxes	4,307,336	3,435,444
Interest	1,957	1,697
Miscellaneous	10,943	8,825
<b>Total general revenues</b>	<b>4,320,236</b>	<b>3,445,966</b>
Special revenues		
BP oil funds	164,662	329,322
<b>Total special revenues</b>	<b>164,662</b>	<b>329,322</b>
<b>Total revenues</b>	<b>4,568,926</b>	<b>3,820,048</b>
<b>Expenses</b>		
Payroll	1,527,568	1,454,989
Promotions	1,715,453	1,744,662
General and Administrative	576,646	496,675
BP expenses	398,328	14,113
Contributions- other organizations	90,000	90,000
<b>Total expenses</b>	<b>4,307,995</b>	<b>3,800,439</b>
<b>Increase (decrease) in net position</b>	<b>\$ 260,931</b>	<b>\$ 19,609</b>

Hotel-Motel taxes of \$4,307,336 reflects a 25% increase over 2011 revenues, and represents approximately 94% of total revenues for 2012. This underscores the importance of the tourism industry to VBR and its mission. In 2012, there were additional revenues related to the BP oil funds of \$164,662 which is a grant to address tourism concerns in the East Baton Rouge Parish, and represents approximately 3.6% of total revenues for 2012.

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

**Change in net position (continued)**

Payroll and promotional activities together represent 75% and 84% of total expenses in 2012 and 2011, respectively, underscoring the importance of quality employees to promote and sell Baton Rouge as a tourism and convention destination.

**Financial Analysis of the General Fund**

VBR completed the years ended 2012 and 2011 with a general fund balance of \$2,284,150 and \$1,783,762, respectively. Of the 2012 fund balance, \$755,101 has been set-aside by the Board for various functions, \$167,083 has been disbursed and is recorded as a prepaid asset, and \$1,361,966 is available for general use. Of the \$493,984 BP oil funds received in 2011 and in 2012, \$398,328 has been disbursed in 2012 for related expenses. The unassigned fund balance is the result of an accumulation of prior year operating surpluses and will allow VBR to continue operations in times of decreasing revenue and to pursue other projects as it may deem appropriate.

**General Fund Budgetary Highlights**

Over the course of the year, the Board revised VBR's budget. These budget amendments, however, did not change revenues and decreased several of the expenditures there by reducing the excess of expenditures over revenues. The budget amendment decreased the expenditure accounts for salaries and commissions, payroll taxes and benefits, trade shows and FAM/Site visits, and special promotions.

Under the revised budget, the general fund operated at a net increase of \$500,388, which was \$610,867 more favorable than the budgeted deficit of \$110,479. This favorable result is attributable to VBR receiving a favorable increase of \$507,336 in tax revenues over the budget amount as a result of the U.S. Bowling Congress Open Championship that took place over approximately five months in 2012.

**CAPITAL ASSETS**

At the end of December 31, 2012 and 2011, VBR had invested \$1,642,051 and \$1,670,322, respectively, in a building, office equipment and vehicles. See Table A-3. This amount represents a net decrease (including additions and deductions) of \$28,271 or 2% from last year.

	<b>Table A-3</b>	
	<b>VBR's Capital Assets</b> (net of depreciation)	
	<b>2012</b>	<b>2011</b>
Equipment	\$ 354,376	\$ 325,283
Building	1,453,790	1,453,790
Land	220,000	220,000
Automobiles	22,706	22,706
Accumulated depreciation	(408,821)	(351,457)
<b>Total</b>	<b>\$ 1,642,051</b>	<b>\$ 1,670,322</b>

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

**CAPITAL ASSETS (continued)**

This year's major changes to Capital Assets included:

- Software upgrades
- Removal of approximately \$39,733 of fully depreciated assets (accounting records only).

**LONG TERM DEBT**

On September 21, 2007, VBR entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow \$1,000,000 for the purpose of paying for the improvement, renovation and equipping of the new headquarters of VBR. VBR utilized \$750,000 of the \$1,000,000 available. The outstanding balance at December 31, 2012 and 2011 was \$653,700 and \$676,500, respectively.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

VBR's primary source of revenue is the Hotel-Motel tax. Revenues are expected to decrease due to the U.S. Bowling Congress Open Championship not returning to Baton Rouge until 2017 and 2025 as these events move locations from year-to-year. VBR has also committed \$175,000 in funding for the 2013 Bayou Country Superfest. This event attracts numerous people to the Capital City for the weekend concert event.

**CONTACTING VBR'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and other constituents with a general overview of VBR's finances and to demonstrate VBR's accountability for the money it receives. If you have questions about this report or need additional financial information, contact VBR's Chief Executive Officer, Paul Arrigo, 359 Third Street, Baton Rouge, LA 70801 -- (225) 383-1825.

**VISIT BATON ROUGE**  
**GOVERNMENTAL FUNDS BALANCE SHEET AND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	General Fund	BP Oil Funds	Adjustments	Statement of Net Position
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 1,816,569	\$ 29,470	\$ -	\$ 1,846,039
Receivables	436,805	-	-	436,805
Prepaid expenses	167,083	-	-	167,083
Deferred financing costs	-	-	5,124	5,124
Capital assets, net of accumulated depreciation	-	-	1,642,051	1,642,051
TOTAL ASSETS	<u>2,420,457</u>	<u>29,470</u>	<u>1,647,175</u>	<u>4,097,102</u>
<b><u>DEFERRED OUTFLOWS</u></b>				
	-	-	-	-
<b><u>LIABILITIES</u></b>				
Accounts payable	108,745	-	-	108,745
Other current liabilities	27,562	-	-	27,562
Long-term liabilities				
Due within one year	-	-	24,900	24,900
Due in more than one year	-	-	628,800	628,800
TOTAL LIABILITIES	<u>136,307</u>	<u>-</u>	<u>653,700</u>	<u>790,007</u>
<b><u>DEFERRED INFLOWS</u></b>				
	-	-	-	-
<b><u>FUND BALANCES/NET POSITION</u></b>				
Nonspendable - prepaids	167,083	-	(167,083)	-
Restricted - BP oil funds	-	29,470	(29,470)	-
Committed - board designated	755,101	-	(755,101)	-
Unassigned - undesignated	1,361,966	-	(1,361,966)	-
TOTAL FUND BALANCE	<u>2,284,150</u>	<u>29,470</u>	<u>(2,313,620)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE				
	<u>\$ 2,420,457</u>	<u>\$ 29,470</u>		
Net position:				
Invested in capital assets, net of related debt			988,351	988,351
Restricted for - BP oil funds			29,470	29,470
Unrestricted			2,289,274	2,289,274
TOTAL NET POSITION			<u>\$ 3,307,095</u>	<u>\$ 3,307,095</u>

The accompanying notes are an integral part of this statement.

**VISIT BATON ROUGE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

Total fund balances - Governmental funds		\$ 2,313,620
Cost of capital assets at December 31, 2012	2,050,872	
Less: accumulated depreciation as of December 31, 2012	<u>(408,821)</u>	1,642,051
Deferred financing costs		5,124
Contract payable		(653,700)
Net position at December 31, 2012 - Governmental Activities		<u>\$ 3,307,095</u>

The accompanying notes are an integral part of this statement.

**VISIT BATON ROUGE**  
**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	BP Oil Funds	Adjustments	Statement of Activities
Expenditures/expenses:				
Salaries and commissions	\$ 1,152,376	\$ -	\$ -	\$ 1,152,376
Payroll taxes and benefits	375,192	-	-	375,192
Advertising and promotion	1,079,633	-	-	1,079,633
Trade shows and FAM/Site visits	113,075	-	-	113,075
Special promotions	522,745	398,328	-	921,073
General and administrative	470,112	-	-	470,112
Contributions to Baton Rouge Area Sports Foundation	90,000	-	-	90,000
Debt service:				
Bond interest expense	9,117	-	-	9,117
Principal retirement	22,800	-	(22,800)	-
Capital outlay	68,826	-	(68,826)	-
Depreciation expense	-	-	97,097	97,097
Amortization of deferred financing costs	-	-	320	320
Total expenditures/expenses	3,903,876	398,328	5,791	4,307,995
Program revenues:				
Charges for services	3,033	-	-	3,033
Other public funds	80,995	-	-	80,995
Net program expense				4,223,967
General revenues:				
Tax revenue	4,307,336	-	-	4,307,336
Interest income	1,957	-	-	1,957
Miscellaneous income	10,943	-	-	10,943
Total general revenues	4,320,236	-	-	4,320,236
Special revenues: BP oil funds	-	164,662	-	164,662
Total Revenues	4,320,236	164,662	-	4,484,898
Excess of expenditures over revenues/ change in net position	500,388	(233,666)	(5,791)	260,931
Excess of revenues over expenditures/ and other sources (uses)/ change in net position	500,388	(233,666)		260,931
Fund balance/net position				
Beginning of year	1,783,762	263,136		3,046,164
End of year	\$ 2,284,150	\$ 29,470		\$ 3,307,095

The accompanying notes are an integral part of this statement.

**VISIT BATON ROUGE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2012**

Excess of revenues over expenditures	\$ 266,722
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The change in net position reported for governmental activities in the statement of activities is different because of:

Capital assets:

Capital assets acquired for the year ended December 31, 2012	68,826	
Depreciation expense for year ended December 31, 2012	<u>(97,097)</u>	(28,271)

Amortization of deferred financing costs	(320)
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Long Term Debt:

Principal portion of debt service payments	<u>22,800</u>
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Change in net position	<u><u>\$ 260,931</u></u>
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The accompanying notes are an integral part of this statement.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### General Statement

Baton Rouge Area Convention and Visitors Bureau officially changed their name on May 29, 2012 to Visit Baton Rouge (VBR). VBR is a governmental entity established to promote travel and tourism in the Baton Rouge area. VBR is also responsible for attracting conventions to Baton Rouge. The basic operations of VBR are financed by a hotel-motel tax.

##### Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, VBR is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, as amended, fiscally independent means that VBR may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. VBR also has no *component units*, defined by the standards as other legally separate organizations for which the elected VBR members are financially accountable. There are no other primary governments with which VBR has a significant relationship. VBR is not a component unit of any other entity.

##### Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Management believes all accounts are collectible at December 31, 2012.

##### Basis of Presentation and Accounting

VBR's basic financial statements consist of the government-wide statements of the primary government. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements. The following are VBR's governmental fund types:

##### *Governmental Fund Types:*

*General Fund:* Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. This fund is considered a major fund.

*Special Revenue Fund:* Special Revenue Funds account for the proceeds received from BP as a result of the 2010 Deepwater Horizon Oil Spill. These funds account for the revenues and expenditures related to the funds disbursed through the Louisiana Tourism Recovery Program and is considered a major fund.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Basis of Presentation and Accounting (continued)

*Government-Wide Financial Statements (GWFS):* The government-wide financial statements consisting of the statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. These statements include the financial activities of the overall government.

The statement of net position presents the assets and liabilities of VBR, with the difference reported as net position. Net position is further segregated between the amounts invested in capital assets, amounts which are restricted, and amounts which are unrestricted.

The statement of activities presents a comparison between expenses and program revenues for VBR's governmental activities. Program revenues include charges paid by the recipients of goods or services offered by VBR.

*Fund Financial Statements (FFS):* The fund financial statements provide information about VBR's general fund and special revenue fund. As a governmental fund type, the general fund and special revenue fund statements' measurement focus is on the flow of current financial resources, and the modified accrual basis of accounting is used. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below:

Nonspendable – represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – represents balances where constraints have been established by parties outside VBR or imposed by law through constitutional provisions or enabling legislation.

Committed – represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of VBR's highest level of decision-making authority.

Assigned – represents balances that are constrained by VBR's intent to be used for specific purposes, but are not restricted nor committed.

Unassigned – represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Net Position

VBR has implemented GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective fiscal year 2012. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position is when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is VBR's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Budgets and Budgetary Accounting

VBR adopts an annual budget that is prepared on the modified accrual basis of accounting for those funds used in VBR's operations. The budget is adopted by the board of directors at the December meeting proceeding the next fiscal year. Any revisions that alter the total expenses must be approved by the board of directors. Since most budgeted projects occur within one fiscal year, VBR typically does not have any carryovers of appropriated expenditures into future fiscal years.

##### Compensated Absences

All full-time employees earn from 10 to 15 days of vacation leave each year, depending on length of service with VBR. Vacation leave cannot be accumulated. Upon separation, all earned unused vacation leave will be paid.

All full-time employees earn 10 days of sick leave each year. Sick leave may be accumulated not to exceed 20 work days. If an employee resigns or is terminated, the employee will not be paid for any unused sick leave.

The cost of compensated absence privileges is recognized as a current year expenditure in the General Fund when leave is actually taken.

##### Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated lives. Useful lives vary from 3 to 15 years for VBR's equipment. The useful life for the building is 40 years. Capital assets are depreciated once they are placed in service, except for assets purchased after July 1. Those assets purchased after July 1 are depreciated beginning the following year.

##### Reclassifications

Certain reclassifications have been made to the 2011 financial statements to be consistent with the 2012 presentation.

#### 2. BOARD MEMBER COMPENSATION

The Board Members of VBR did not receive any compensation during 2012.

#### 3. RELATED PARTY TRANSACTIONS

VBR contributed \$90,000 to an organization related through common oversight authority during 2012.

VBR provided office space to two organizations related through common oversight authority during 2012. This office space was provided free of charge to the related organizations.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 4. CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of financial institution failure, VBR's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At year-end, the carrying amount of VBR's deposits was \$1,090,688 and the bank balance was \$1,324,698. The amounts were completely collateralized and/or insured at December 31, 2012.

VBR also invested \$755,101 at December 31, 2012, in the Louisiana Asset Management Pool (LAMP), Inc. a local government investment pool. In accordance with GASB Codification Section 150.125, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and its board of directors. LAMP is not registered with the SEC as an investment company.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. VBR's investment policy limits investments to those discussed earlier in this section. LAMP has a Standard & Poor's Rating of AAAm.

**VISIT BATON ROUGE**

**NOTES TO FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

	2012			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 325,283	\$ 68,826	\$ (39,733)	\$ 354,376
Building	1,453,790	-	-	1,453,790
Land	220,000	-	-	220,000
Automobiles	22,706	-	-	22,706
	<u>\$ 2,021,779</u>	<u>68,826</u>	<u>(39,733)</u>	<u>\$ 2,050,872</u>
Less: Accumulated Depreciation	<u>\$ 351,457</u>	<u>97,097</u>	<u>(39,733)</u>	<u>\$ 408,821</u>
Net Capital Assets	<u><u>\$ 1,670,322</u></u>			<u><u>\$ 1,642,051</u></u>

**6. COMMITTED FUND BALANCE – BOARD DESIGNATED**

The board has committed \$755,101 of fund balance for special projects, operations, and building repairs. Separate accounts have been established to hold assets earmarked for these committed purposes. A summary of these accounts is as follows:

	2012			
	Beginning Balance	Additions	Deletions	Ending Balance
LAMP – Special Project Account	\$ 493,999	61,102	( 200,000)	\$ 355,101
LAMP – Operations Account	325,000	471	( 471)	325,000
LAMP – Building Repair Account	60,000	15,089	( 89)	75,000
	<u>\$ 878,999</u>	<u>\$ 76,662</u>	<u>(\$ 200,560)</u>	<u>\$ 755,101</u>

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 7. RETIREMENT PLAN

VBR contributed 10% in 2012, of each eligible employee's salary to an employee defined contribution retirement plan. In order to be eligible under the plan, the employee must have earned at least \$400 in the previous year and be at least 21 years old. Employees are 100% vested at the time of eligibility. VBR contributed \$104,413 for the year ended December 31, 2012. Effective January 1, 2013, part-time employees will no longer be covered under the Plan.

#### 8. RECEIVABLES

Receivables as of December 31, 2012 consisted of the following:

Hotel-Motel Taxes Receivable	\$	430,559
Other Receivables		6,246
	\$	<u>436,805</u>

#### 9. CONTRACT PAYABLE

On September 21, 2007, VBR entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow \$1,000,000 for the purpose of providing funding for the improvement, renovation and equipping of the new headquarters of VBR. In 2008, VBR drew down \$750,000 of the \$1,000,000 available for this purpose. The amount borrowed is due in monthly payments amortized over the life of the contract, bearing interest at the Securities Industry and Financial Markets Association (SIFMA) rate plus 1.2%. The interest rate at December 31, 2012 was 1.83%. Principal repayments during 2012 were \$22,800. This contract ends December 21, 2029. The contract is secured by and payable from the lawful and available funds of VBR. The outstanding balance at December 31, 2012 was \$653,700.

The minimum debt service payments are scheduled to occur as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 24,900	\$ 11,759	\$ 36,659
2014	26,400	11,286	37,686
2015	26,400	10,802	37,202
2016	28,400	10,305	38,705
2017	30,600	9,771	40,371
2018-2022	179,100	39,554	218,654
2023-2027	231,300	20,923	252,223
2028-2029	106,600	1,947	108,547
	<u>\$ 653,700</u>	<u>\$ 116,347</u>	<u>\$ 770,047</u>

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 10. COMMITMENTS

VBR has entered into an agreement, dated December 20, 2012, with Festival Productions, Inc. – New Orleans for an event to be held in the City of Baton Rouge on May 25 and May 26, 2013. VBR will provide \$175,000 in funding to ensure success of the event.

#### 11. SUBSEQUENT EVENTS

Management has evaluated events through the date that the financial statements were available to be issued, April 19, 2013 and determined that the following disclosures are necessary. A Property Damages Settlement Agreement related to the Oil Spill in the Gulf of Mexico in April 2010, awarded VBR a grant of up to \$500,000 for the period of January 1, 2013 to January 31, 2013. The purpose of the grant is to sponsor events in the Baton Rouge area to increase tourism. These funds are contingent upon sufficient funding of the Settlement Trust by BP.

Additionally, the VBR board approved a resolution concerning the establishment of a retiree insurance benefit plan with the following qualifications: (1) 15 years of accumulated service and 62 years of age – eligible for vision, dental, and long term care insurance; or (2) 15 years of accumulated service and 65 years of age – eligible for vision, dental, and either long term care insurance or a Medicare insurance supplement. The benefits will be payable on behalf of the Retiree until death.

REQUIRED SUPPLEMENTAL INFORMATION

**VISIT BATON ROUGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Tax revenue	\$ 3,800,000	\$ 3,800,000	\$ 4,307,336	\$ 507,336
Interest income	1,802	1,802	1,957	155
Miscellaneous income	750	750	10,943	10,193
Charges for services	2,950	2,950	3,033	83
Other public funds	87,000	87,000	80,995	(6,005)
Total revenues	<u>3,892,502</u>	<u>3,892,502</u>	<u>4,404,264</u>	<u>511,762</u>
<b><u>EXPENDITURES</u></b>				
Salaries and commissions	1,178,402	1,148,540	1,152,376	(3,836)
Payroll taxes and benefits	407,752	391,681	375,192	16,489
Advertising and promotion	1,106,800	1,109,675	1,079,633	30,042
Trade shows and FAM/Site visits	126,905	124,100	113,075	11,025
Special promotions	568,000	535,900	522,745	13,155
General and administrative	530,550	550,285	470,112	80,173
Contributions to Baton Rouge Sports Foundation	90,000	90,000	90,000	-
Debt service:				
Bond interest	14,200	10,200	9,117	1,083
Principal retirement	22,800	22,800	22,800	-
Capital outlay	19,800	19,800	68,826	(49,026)
Total expenditures	<u>4,065,209</u>	<u>4,002,981</u>	<u>3,903,876</u>	<u>99,105</u>
<b><u>EXCESS OF REVENUES (UNDER)</u></b>				
<b><u>OVER EXPENDITURES</u></b>	(172,707)	(110,479)	500,388	610,867
<b><u>EXCESS OF REVENUES OVER</u></b>				
<b><u>EXPENDITURES/ AND OTHER SOURCES</u></b>				
<b><u>(USES)/ CHANGE IN NET POSITION</u></b>	(172,707)	(110,479)	500,388	610,867
<b><u>FUND BALANCE</u></b>				
Beginning of year	<u>1,783,762</u>	<u>1,783,762</u>	<u>1,783,762</u>	-
End of year	<u>\$ 1,611,055</u>	<u>\$ 1,673,283</u>	<u>\$ 2,284,150</u>	<u>\$ 610,867</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Independent Auditors' Report**

To the Board of Directors  
Visit Baton Rouge  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Visit Baton Rouge (VBR) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise VBR's basic financial statements, and have issued our report thereon dated April 19, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VBR's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VBR's internal control. Accordingly, we do not express an opinion on the effectiveness of VBR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VBR's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana

April 19, 2013